

MINUTE ITEM

This Calendar Item No. 27
was approved as Minute Item
No. 27 by the State Lands
Commission by a vote of 2
to 1 at its 7-27-81
meeting.

CALENDAR ITEM

27

4/81
W 9603.14
Hamilton
PRC 5994

AWARD OF ROYALTY OIL SALES CONTRACT

On January 26, 1981, the Commission authorized the sale, by competitive bidding, of the royalty oil that will be produced from the State Oil and Gas Lease E 392, Huntington Beach Field, Orange County (Minute Item No. 27). Fifty percent of the State's royalty share of crude oil produced in a one-month period (from Lease E 392) is approximately 18,500 barrels.

On March 30, 1981, a public sale was conducted and 15 bids were received and opened (See attached Exhibit "A"). Staff has reviewed the bids and has determined the successful bidder, defined in the bid proposal as the responsible bidder making the highest per barrel bonus bid over the base price and offering to execute the sales contract, to be:

USA Petrochem Corporation
P. O. Box 1839
1633 - 26th Street
Santa Monica, California 90406

The Royalty Oil Sales Contract defines the base price in full, but generally can be described as the highest price posted for oil of like gravity and quality in the Huntington Beach Field. USA Petrochem submitted the highest bid of \$1.452 per barrel plus the base price and has executed the sales contract. The term of this contract is one year, but may be extended upon mutual agreement for up to two separate and consecutive six-month periods.

The disposition of the royalty oil under this sales contract will be accomplished by exchange agreement using existing oil production and transport facilities. There will not be any expansion or physical change of such facilities.

STATUTORY REFERENCES:

- A. P.R.C., Section 6815.1.
- B. Title 2, Cal. Adm. Code, Div. 3, Chapter 1, Article 3.5.

EXHIBIT:

- A. List of Bids.

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CALENDAR ITEM NO. 27 (CONTD)

IT IS RECOMMENDED THAT THE COMMISSION:

1. ACCEPT THE BID OF USA PETROCHEM CORPORATION AND AUTHORIZE THE EXECUTIVE OFFICER TO EXECUTE "ROYALTY OIL SALES CONTRACT, STATE OIL AND GAS LEASE E 392, HUNTINGTON BEACH FIELD, SECOND 50% SEGMENT," FOR THE ONE-YEAR TERM COMMENCING MAY 1, 1981, AND CONTINUING UNTIL MAY 1, 1982.
2. AUTHORIZE THE EXECUTIVE OFFICER OR HIS DESIGNEE TO NOTIFY THE LESSEE THAT THE STATE INTENDS TO TAKE ITS ROYALTY OIL IN KIND PURSUANT TO THE PROVISIONS OF STATE OIL AND GAS LEASE E 392 COMMENCING MAY 1, 1981, AND SELL IT TO USA PETROCHEM CORPORATION.

C25p
April 10, 1981

EXHIBIT "A"

List of Bids

1.	USA Petrochem Corporation	\$1.452
2.	Beacon Oil Company	\$1.32
3.	DeMenno/Kerdoon	\$1.111
4.	Macmillan Ring-Free Oil Co., Inc.	\$1.049
5.	Powerine Oil Company	\$1.03
6.	Marlex Oil & Refining, Inc.	\$0.866
7.	Kern County Refinery, Inc.	\$0.805
8.	Koch Oil Company	\$0.797
9.	Century Resources Development, Inc.	\$0.765
10.	Lunday-Thagard Oil Company	\$0.5757
11.	La Jet Crude Oil, Inc.	\$0.51
12.	Edington Oil Company, Inc.	\$0.365
13.	Champlin Petroleum Company	\$0.315
14.	Alliance Oil and Refining Company	\$0.28
15.	Tosco Corporation	-\$0.3334

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